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Chilton's

NOVEMBER 1982

11TH ANNUAL DISTRIBUTION CAREER PATTERNS

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FOR TRAFFIC & TRANSPORTATION DECISION MAKERS

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CONSULTANT WRAP-UP • NEGOTIATING WITH RAILROADS
SHIPPERS ASSOCIATIONS: WHAT'S UP

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VOLUME 81, NUMBER 11

NOVEMBER 1982

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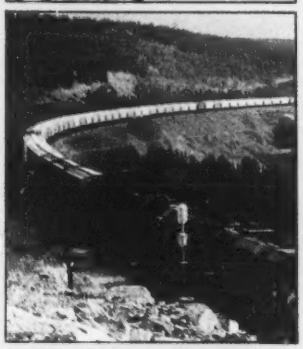

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On the Cover: *Competition between motor carriers out to capture their share of shrinking volumes of freight has been furious. Hordes of discounts have been enlisted, but no victor has yet emerged. (Artwork by Tom Barrett.)*

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FORECAST

"THE BUMPY BOTTOM"

For months now business managers have been told that the economy has bottomed out. The bottom was supposed to be reached in the late Spring, then in July, and now we are told that the bottom will come in the 4th quarter.

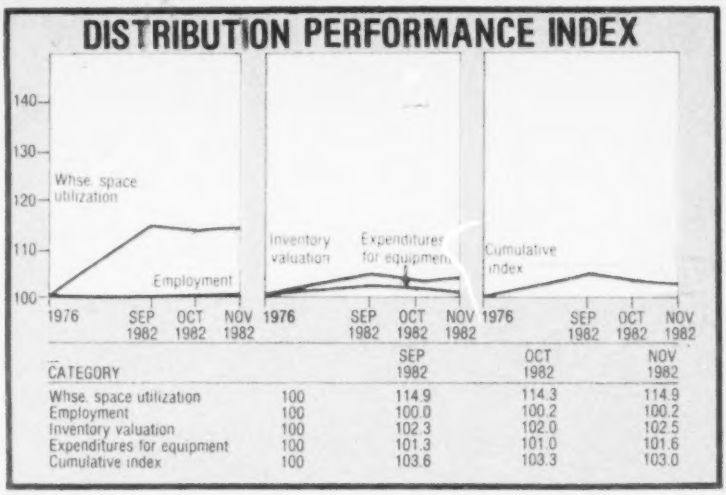
What puzzles economists as well as government leaders is that the economy has not responded to the normal cures of lower inflation and reduced interest rates. The so called "supply side economics" program has failed to stimulate growth and resulted in the worst economic downturn since the 1930's.

Perhaps, the most important tell-tale sign of the future of the economy is reflected in the University of Michigan's Survey of Consumer Confidence which monitors the level of promise or confidence people have in the U.S. economy. This level of confidence has been dropping each month since April, 1982. The survey reported that consumers are not about to make any significant purchases until they can be sure of the future. In reality, though, the recovery depends on the consumer and, if they have little confidence in governmental policy, the economy will not bottom out and begin to recover.

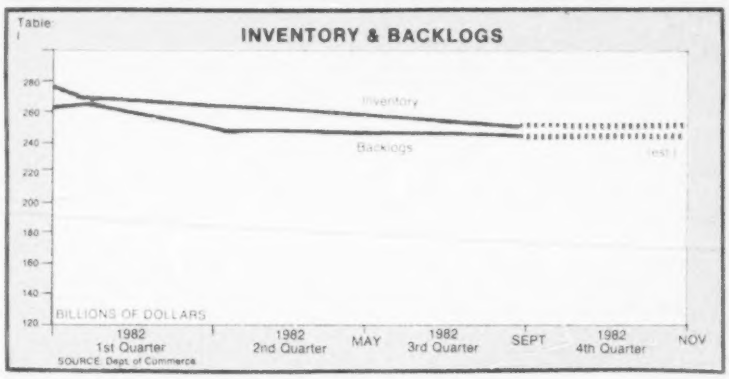
The general decline is also reflected in the drop in the Index of Leading Economic Indicators after four straight months of increases. Factory shipments are also off. In the distribution industry, which generally lags behind the economy, there was a continuing decline with warehouse space utilization decreasing from 114.9 in September to 114.3 in October, 1982. Employment continued its downward slide recording little if any change through the month of November. Inventory valuation continued to drop, reflecting the decline in the overall inflation rate. It decreased from 102.3 in September and has remained relatively constant at the 102 level through November. The current annual inflation is now below 6 percent for the year.

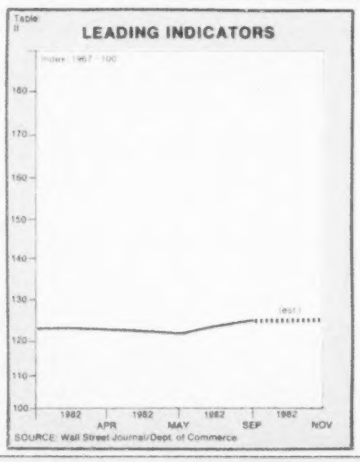
Spending for new equipment is also down as companies continue to pare down their capital equipment expenditures. It fell from 101.6 in September to the 101 level through October, 1982. Overall, the Cumulative Index has fallen only slightly from 103.3 in October to 103.0 in November. The Index is not far from its "bumpy bottom." Let's only hope that the national economy has reached its bottom, and isn't, as some economists predict, a marker for another round of economic woes.

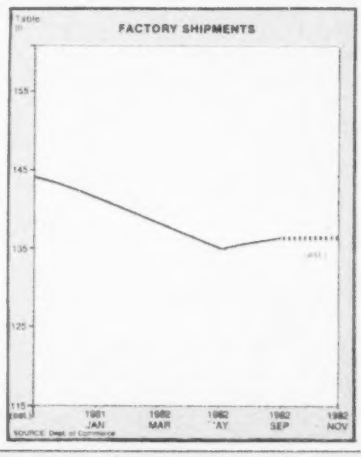
Those money men warn that a healthy spurt in the Gross National Product (GNP) could cause a double-digit increase in the money supply which, in turn, would drive interest rates back up and push the prime rate to 16 or 17 percent.



CATEGORY		SEP 1982	OCT 1982	NOV 1982
Whse. space utilization	100	114.9	114.3	114.9
Employment	100	100.0	100.2	100.2
Inventory valuation	100	102.3	102.0	102.5
Expenditures for equipment	100	101.3	101.0	101.6
Cumulative index	100	103.6	103.3	103.0







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DISTRIBUTION CAREERS 1982

By **BERNARD J. LA LONDE, PH.D.**, Riley Professor of Marketing and Logistics, and **RICHARD BRAND**, Research Associate, both of The Ohio State University

In each of the past eleven years, the Logistics Research Group at The Ohio State University has conducted a survey of the carrier patterns of distribution executives in U.S. firms. Originally this study sought to answer basic questions on the background, training, work experience and demographic characteristics of those executives. However, in recent years the survey has been expanded in scope to include trend analysis of the attitudes and opinions of distribution executives as well.

Specifically, the 1982 survey has sought to find answers to the following basic questions:

1. How is the distribution function organized?
2. What are the primary responsibilities of the distribution executive?
3. Who is the distribution executive?—A Demographic Profile
4. How does the distribution executive perceive the future?

The data utilized in this study was obtained from a detailed four-page questionnaire mailed to 468 members of the National Council of Physical Distribution Management during the summer of 1982. A concerted effort was made to achieve a sample balanced on both an industry and geographic basis. In cases where two or more NCPDM members were listed within the same company, the higher ranked executive received the questionnaire. The 156 questionnaries (131 usable) which were returned represented a response rate of approximately 33 percent.

The questionnaires were coded, key punched and analyzed using the computer facilities of The Ohio State University. Tabulation of the results involved utilizing standard two-variable cross-tabulations and summary statistics, the summary results of which are reported in the body and tables of this report.

Every effort was made to classify accurately the open-ended survey responses and to interpret multiple job title classifications meaningfully. The responses to this survey indicated that a multitude of descriptive distribution job titles still exists for the key distribution executive. However, because the primary objective of this research has been to provide trend analysis of broad classifications, the authors believed it best that the analysis of the data continue to utilize the three broad managerial classifications of manager, director and vice president.

It will be noted by the reader that in the discussion and tables, comparisons are made with survey findings from earlier years. Caution should be exercised in generalizing or interpreting the results of year-to-year comparisons since the returned questionnaires are anonymous.

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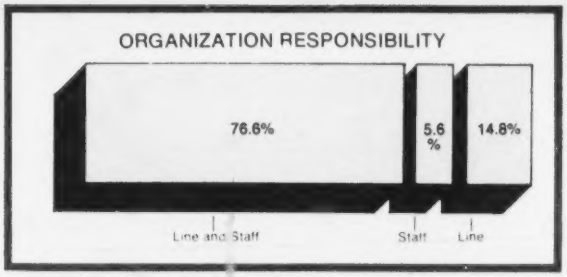
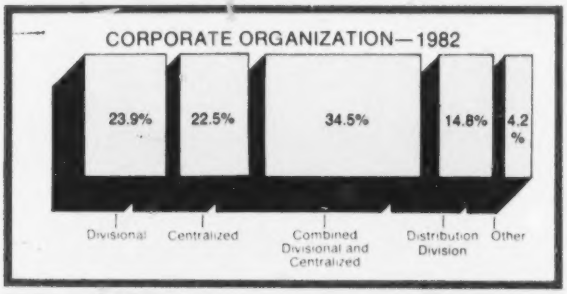
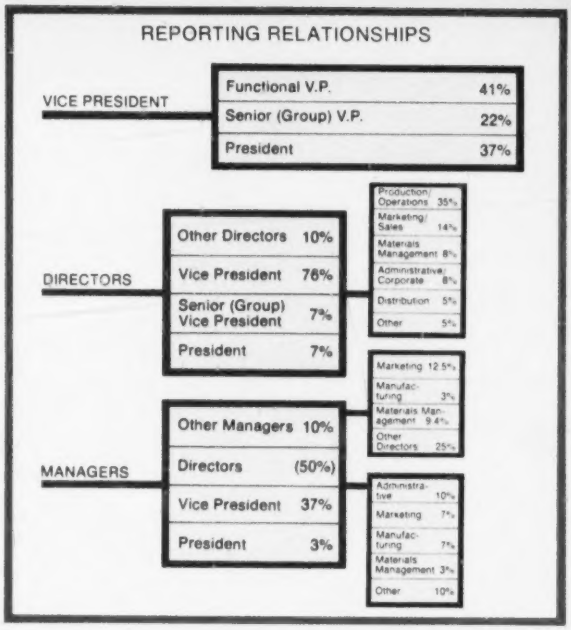


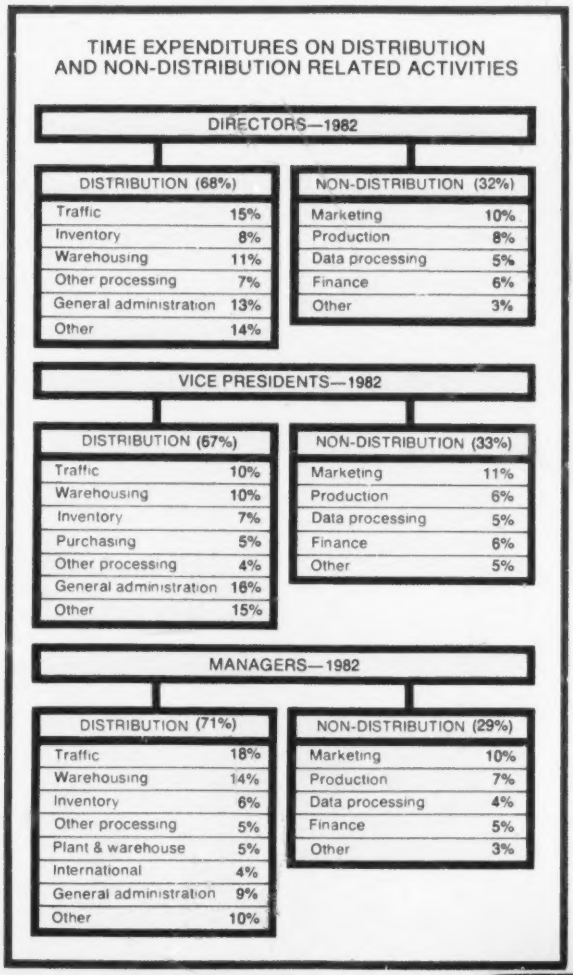


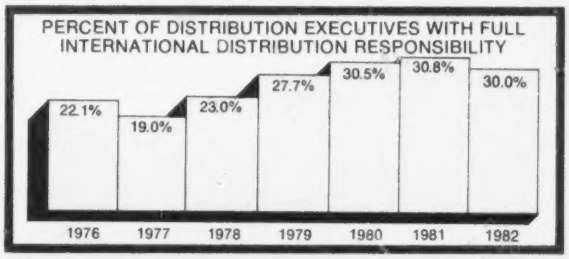
HOW DISTRIBUTION IS ORGANIZED

There is continued evidence of stability in the organization of the distribution function. Some 80 percent of the respondents reported both line and staff responsibility. Organizationally, 35 percent report a combined centralized and divisional organization, 24 percent divisional, 23 percent centralized and 15 percent a separate organization.



There have also been shifts of patterns of organizational relationships. Our findings suggest that distribution is being linked with pre-production activities, and a new form of total material flow organization is emerging.





SHIFTING RESPONSIBILITIES TAKE MORE AND MORE TIME

The chart to the left breaks down where the distribution exec is spending his time. The primary trends in specific responsibilities of the distribution executives have indicated a gradual shift from a narrow traffic and warehousing responsibility to a broader range of responsibility both within and outside the distribution area.

- Distribution executives spend approximately 30 percent of their time outside the distribution function. Almost two-thirds of the time spent outside of the function is spent in interacting with either the marketing or the production area.
- Directors and vice presidents spend approximately 20 percent of their total time in the transportation and warehousing areas while managers spend almost 30 percent of their time in these areas.
- The amount of time spent at all levels in "General Administration" has gradually risen over the past five years.

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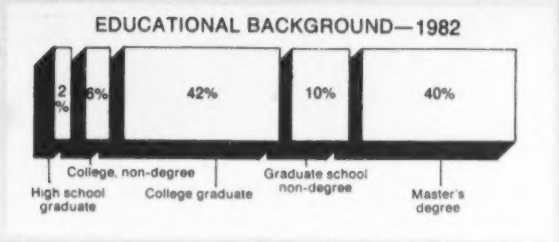
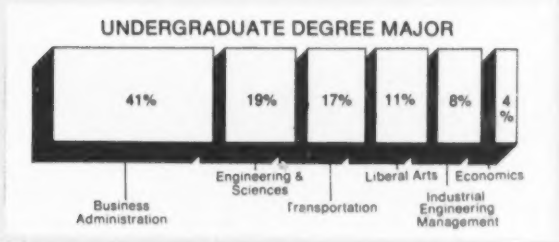
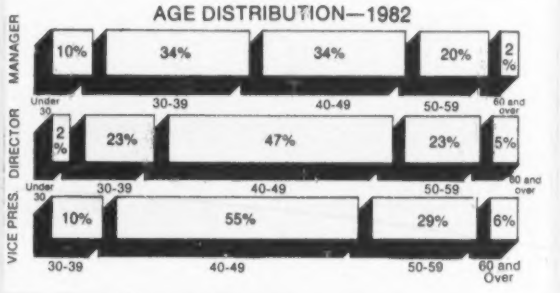
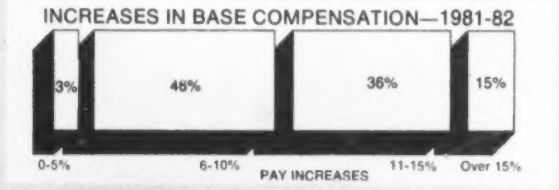






AVERAGE COMPENSATION—1982

	Manager	Director	Vice President
Top quarter	$66,200	$80,300	$111,500
Second quarter	$52,700	$61,100	$84,900
Third quarter	$42,400	$52,800	$74,200
Lowest quarter	$30,600	$42,600	$58,700
Average	$48,000	$59,200	$82,200



THE DISTRIBUTION EXEC: A DEMOGRAPHIC PROFILE

The age of P.D. executives shows the same general pattern of recent years with the 40-49 age bracket continuing to dominate each job classification.

The educational profile of the distribution executive saw only random sample variations from the previous year. Emphasis is still on the college educated executive, as 98 percent of this year's respondents had some college and 92 percent had a college degree or more. Approximately half of the P.D. executives reported post-graduate work, with forty percent, reporting a master's degree or higher. Business administration, engineering and science backgrounds continue to dominate undergraduate preparations of the executives in distribution capacities.

Average compensation levels and increases in compensation levels for 1982 are also shown. Overall salary levels were substantially higher than 1981. The range of salary increases was similar to the 1981 survey level with a 12.1 percent overall increase.

EDUCATIONAL NEEDS—1982

Area	First Choice	Second Choice
Finance	28%	31%
Data Processing, Simulation, Models	16%	14%
General Management	9%	6%
Marketing	9%	5%
Legal Environment	5%	2%

What are the major factors which will influence the growth and development of the corporate distribution function during the next decade?

Factor	Most Important	2nd. Most Important
Identification and control of distribution costs	27%	19%
Ability to integrate elements of logistics system	8%	6%
Impact of deregulation	11%	12%
Utilization of computer based information systems	12%	13%
Customer Service	8%	13%
Cost of money	5%	9%

HOW DOES THE DISTRIBUTION EXECUTIVE PERCEIVE THE FUTURE?

This year, as in past years, the respondents were asked: "If you were offered an opportunity to return to school in the near future for three months and could take a custom-designed curriculum, what kinds of things would you study?" Again, as in past years, almost 30 percent of the respondents indicated a first preference for the financial area. The remaining categories were similar to the 1981 survey except that respondent interest in data processing increases sharply.

The respondents were asked to: "Identify the major factors which will influence the growth and development of the corporate distribution function during the next decade." Their summary responses are presented above. In the 1981 survey a number of significant changes occurred in the pattern of responses.

- The respondents continue to rank their ability to identify and control distribution cost as a key variable in the future of the distribution function.
- The pattern of response indicates a more global view of the distribution process in that the factors identified as significant dealt more frequently with the external environment (e.g., deregulation, cost of money, etc.).
- The respondents were more concerned with the application of MIS concepts and data processing technology to the logistics function.

In 1981, the section dealing with respondent attitudes toward key issues in distribution was expanded. Findings include:

- 91% of the respondents noted that distribution is a more important corporate function than five years ago.
- 94% of the respondents agreed that more specific goals had been developed for the distribution function in their firms over the past five years.
- 91% of the respondents agreed that the computer is the key to better productivity in their firms.
- 89% of the respondents agreed that the planning process has assumed more importance in the distribution function in their firms during the past five years.
- 87% of the respondents agreed that deregulation will lower costs of transportation.

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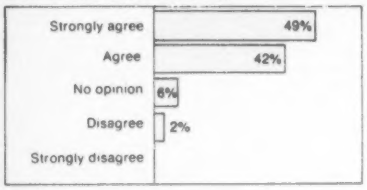
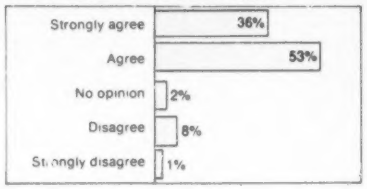
DISTRIBUTION LOOKS AT ITSELF AND ITS FUTURE

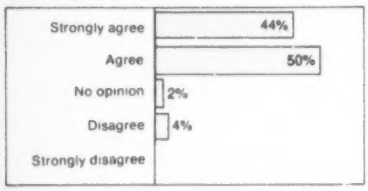
Distribution is considered a more important function in our firm than it was five years ago



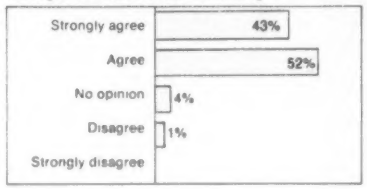
The distribution planning process has assumed more importance in our firm in the operation of the distribution function during the past five years



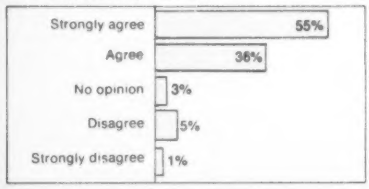
In the past five years we have developed more specific goals and standards for the operation of our distribution system



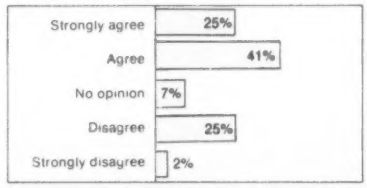
In the 1980's, more firms will use inventory carrying costing for distribution decision-making



Better use of the computer is the key to improved distribution productivity in our firm

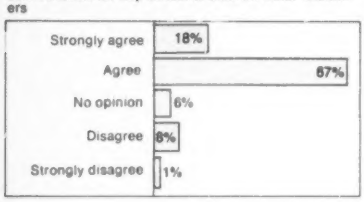


Deregulation is having a significant impact on the distribution of goods in our firm

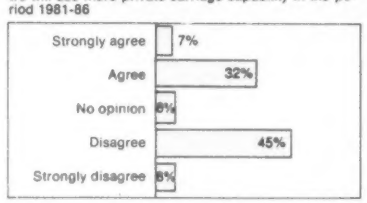


DISTRIBUTION LOOKS AT ITS PLANS AND OBJECTIVES

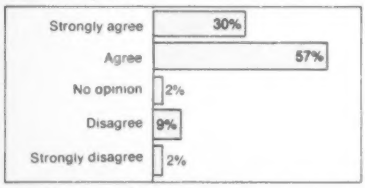
In the 1980's, most firms will maintain higher customer service levels for key accounts than for other customers



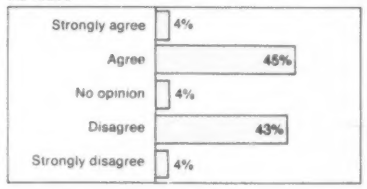
Given the current and forecasted economic climate, we will use more private carriage capability in the period 1981-86



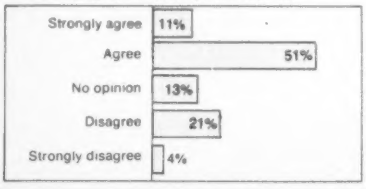
Deregulation of the transportation system will lower costs of transportation



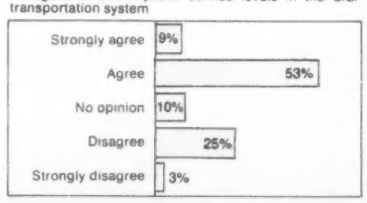
In the face of sharply increased costs, customer service levels will be lowered by most business firms in the 1980's



Given the current and forecasted economic climate, we will use more public warehousing to meet any expanded storage needs in the period 1981-86



Deregulation will improve service levels in the U.S. transportation system



STUDY IMPLICATIONS

Since the study has been conducted annually for the past eleven years it might be appropriate to identify the primary changes which have occurred in the distribution function over the past decade. Again, caution should be exercised in interpreting these trends due to the unique character of the distribution function in many firms and year-to-year shifts in the same base.

Positioning of the P.D. function:

- Over the past ten years there has been a shift from position the distribution function as a staff function to a line function or combination staff/line function.
- The number of V.P. level respondents has more than doubled since the early 1970's. Director level respondents have increased by over 64 percent.

Primary responsibility of the distribution executive:

- In the early 1970's the typical distribution executive was largely concerned with a narrow range of activity—usually transportation and warehousing. By the early 1980's the P.D. function had been broadened to include activities ranging from forecasting to order processing.
- A corollary to the broadening of the P.D. function has been an "outer directed" focus. That is, the distribution executive of the 1980's is spending a signficantly larger share of the day interacting with the marketing, production, finance and data processing.

Future directions:

- During the past several years there has been a steady trend toward more "scientific" distribution. This trend has been demonstrated in a number of different ways including a concern for planning, an increased interest in the technology of distribution and a broadened base of involvement in more technical aspects of the corporate mission.
- Beginning in the later part of the 1970's and continuing strongly in the 1980's is a trend toward more involvement for the distribution executive in operational and strategic planning.
- There is mounting evidence that change in the distribution/logistics function is occurring more rapidly.
- There is some evidence in the past few years that some fundamental changes in organizational structure are occurring in a significant number of firms. The evidence suggests that reorganization is in terms of functional integration of the total material flow.

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